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Chairman: Mr. Kmoníček ..... (Czech Republic)
Chairman of the Advisory Committee on Administrative and Budgetary Questions: Mr. Mselle

Contents

Agenda item 119: Review of the efficiency of the administrative and financial functioning of the United Nations (*continued*)

Outsourcing practices of United Nations system organizations

Report of the Joint Inspection Unit: management audit review of outsourcing in the United Nations and United Nations funds and programmes

Report of the Joint Inspection Unit: Common and joint services of United Nations system organizations at Vienna

Agenda item 120: Programme budget for the biennium 2002-2003

Proposed measures to improve the profitability of the commercial activities of the United Nations

Joint Inspection Unit: revenue-producing activities in the United Nations system

Agenda item 124: Scale of assessments for the apportionment of the expenses of the United Nations

Letters dated 27 June 2003 and 1 October 2003 addressed to the Chairman of the Fifth Committee by the President of the General Assembly

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03-54830 (E)

The meeting was called to order at 10.05 a.m.

Agenda item 119: Review of the efficiency of the administrative and financial functioning of the United Nations (*continued*)

Outsourcing practices of United Nations system organizations (A/57/185 and A/57/7/Add.1)

Report of the Joint Inspection Unit: management audit review of outsourcing in the United Nations and United Nations funds and programmes (A/58/92 and Add.1 and A/58/389)

Report of the Joint Inspection Unit: Common and joint services of United Nations system organizations at Vienna (A/58/258 and Add.1 and A/58/389)

1. **Mr. Mantovani** (Italy), speaking on behalf of the European Union, the acceding countries Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia and the associated countries Bulgaria, Romania, Turkey and European Free Trade Association countries, members of the European Economic Area, Iceland, Liechtenstein and Norway, said that those countries welcomed the activities undertaken by the Secretary-General to assess the progress and impact of measures to improve management, in particular the new online tool for tracking management reforms (PIRS). In that respect, he noted that in document A/58/70, the Secretary-General had indicated that implementation of measures to create an "electronic United Nations" was less advanced than in other areas.

2. The European Union took note of the report of the Secretary-General on outsourcing activities between 1999 and 2001 and approved the recommendations made by the Joint Inspection Unit (JIU) in document A/58/92. It noted with some concern that outsourcing activities remained a relatively small proportion of the financial resources of the organizations and that they continued to be concentrated in two sectors: information and communications technologies and systems, and facilities and site management functions.

3. With reference to the common and joint services of the United Nations system organizations at Vienna, the European Union commended the JIU for its thorough examination contained in document A/58/258 and supported the recommendations for fostering the integration of services for the four organizations concerned through the establishment of a single unit.

4. Finally, the European Union believed that progress in reform was closely linked to the elimination of duplication, complexity and bureaucracy in United Nations administrative processes and procedures. It fully supported the recommendations of the Office of Internal Oversight Services (OIOS) in its report on the subject (A/58/211).

5. **Mr. Wittmann** (United States of America), referring to the question of common services of the United Nations organizations at Vienna and commenting on the recommendations of the Joint Inspection Unit's report, said that his delegation did not think a convincing case had yet been made that the establishment of a single common services administrative unit, under the management of the United Nations Office at Vienna, would bring about substantial cost savings. The Unit's report itself pointed out that there was little enthusiasm among the organizations concerned for an expansion of common services. His delegation was therefore not in a position to endorse recommendation 1. On the other hand, it supported recommendations 5 and 7, which called for the implementation of consolidated printing services and language training, respectively. It also agreed that Member States could do more to oversee common services at Vienna, and it supported recommendation 12, regarding the biennial consideration of those services by the boards of the relevant organizations.

6. **Ms. Soni** (Canada), also speaking on behalf of Australia and New Zealand, said that it would be advisable to renegotiate the 1977 Protocol, governing the organization of common services at Vienna, in order to update it. The recommendation for a single common services administrative unit merited further examination, in the light of a detailed analysis of the benefits such a measure could offer. Her delegation approved the establishment of common services for printing services and language training. It wanted to know what the financial implications for the United Nations would be if the building management services, currently supervised by the United Nations Industrial Development Organization, were transferred to a single common services unit. The current cost-sharing methodologies for security and interpretation services created a disagreement between the United Nations

Office at Vienna and other organizations. It would be worth finding out how much money was involved.

7. The Joint Inspection Unit's report on outsourcing did not establish if outsourcing practices were consistent with approved policies, nor did it highlight the specific improvements that could be implemented. Her delegation did not see the use of indicating in the programme budget the services and activities outsourced, and therefore strongly disagreed with recommendation 3 (b). It did not understand why the Organization could not use the same supplier for more than 10 years, as long as the supplier continued to offer the most efficient and cost-effective service.

Agenda item 120: Programme budget for the biennium 2002-2003

Proposed measures to improve the profitability of the commercial activities of the United Nations (A/57/398 and A/57/7/Add.1)

Report of the Joint Inspection Unit on United Nations system revenue-producing activities (A/57/707 and Add.1, A/58/7 and Corr.1)

8. **Mr. Toh** (Assistant Secretary-General for Central Support Services), presenting the Secretary-General's report on the proposed measures to increase profitability of the commercial services of the United Nations, stated that a number of developments had taken place since the preparation of the report. The Department of Public Information had created a division for services and products aimed at the public, which brought together the sale of publications and services to visitors. The result should be enhanced effectiveness in the management of the Bookshop and the operation of guided tours at Headquarters.

9. The sale of publications operation was now in the final stages of implementing an integrated e-commerce site that would provide a worldwide sales outlet for United Nations publications. The development of the project had been outsourced, in cooperation with the Information Technology Services Division. While United Nations Bookshop sales had recovered since 2001, a process of competitive bidding had been initiated to find a new management company. In Geneva, a commercial company managed the Bookshop and an increase in sales had been noted.

10. Over the previous year, guided tours at Headquarters had seen a steady rise in attendance, which had been helped, in part, by a cooperative agreement with the tour operator, Gray Line. A new catering contractor had been selected through a process of competitive bidding. A number of new facilities had been introduced, and services that had been curtailed following the events of 11 September 2001 had been reinstated.

11. The more dramatic developments were in the area of the United Nations Postal Administration (UNPA). The results of the process of competitive bidding showed that outsourcing of activities would be too expensive an option for the time being. With regard to the financial viability of UNPA in the longer term, consultants were of the view that a streamlining of operations was necessary, particularly by eliminating the duplication of activities at Geneva and at Vienna, and by reducing costs. Several posts had been abolished and significant discounts had been obtained from the Swiss and Austrian postal authorities. Efforts were being made to increase revenues, by targeting a young collectors clientele and by introducing "personalized" stamps. Arrangements had been made for the United States Postal Service to include UNPA stamps in its philatelic catalogues. Already, a marked decrease in UNPA expenditures was evident. Details of the new measures that had been implemented and their financial implications would be contained in a comprehensive report that would be presented to the Committee, though the Advisory Committee on Administrative and Budgetary Questions, in the second budget performance report.

12. **Mr. Gorita** (Vice-Chairman, Joint Inspection Unit) introducing the report of the Joint Inspection Unit on United Nations system revenue-producing activities, pointed out that the organizations of the United Nations system could not be equated with business entities driven by financial profit motives. The primary objective of the activities under review was not to generate income but rather to support the organizations' programmes and promote their public image and visibility. However, there was no reason why the United Nations should not seek to improve the profitability of those activities, as the General Assembly had, indeed, requested in its resolution 56/238.

13. For the 1998-1999 biennium, income from activities under review had amounted to an aggregate

total of $670 million, of which three organizations (the United Nations, UNICEF and WIPO) had generated 87 per cent. There were significant disparities in revenues produced from the activities in question by the organizations. Overall, it had been found that the greater the financial value of the activities to the budget of each organization, the more efficiently and effectively those activities tended to be managed.

14. The first five recommendations of the Joint Inspection Unit were addressed specifically to the United Nations. The first, which called for new management arrangements for the Organization's revenue-producing activities would be explored in greater detail by the Secretary-General in the context of the report that would be submitted to the General Assembly at its current session. The Joint Inspection Unit hoped that the Fifth Committee would be in a position to approve the recommendations contained in its report, bearing in mind the comments of the Secretary-General and of the United Nations Chief Executives Board for Coordination.

15. **Mr. Sevilla** (United Nations Chief Executives Board for Coordination) introduced the comments of the Secretary-General and of the United Nations Chief Executives Board for Coordination on the report of the Joint Inspection Unit on United Nations system revenue-producing activities (A/57/703/Add.1). In general, the members of the Board considered that the report, which was the first of its kind, was timely, in the light of ongoing efforts within the organizations of the United Nations system to tap possible new sources of income, and they approved its main conclusions.

16. Recommendation 1 which concerned new management arrangements for United Nations revenue-producing activities and recommendation 3, which sought to extend the geographical spread of some of those activities, were acceptable from the point of view of increased profitability but it was important not to confuse the methods and strategies of profit-making enterprises with the primary mission of the United Nations system organizations.

17. The possibility of entrusting an increased commercial role to the United Nations Information Centres, which was also referred to in recommendation 3, implied additional resources, in particular in terms of staff. Subcontracting which was the subject of recommendation 4 should be considered in the light of the conclusions of the Joint Inspection Unit in its report on outsourcing. As for the financial exploitation of intellectual property protection rights, that should be a secondary objective, the primary objective being to ensure that the goods and services connected with those rights were disseminated to a wide public at a reasonable price. In the same line of argument, the need to formulate a common science and technology policy on patents owned by the organizations of the system remained to be demonstrated. Finally, the establishment of training and public lecture programmes on a fee-paying basis might run counter to the public information mission of the organizations by having the effect of reducing demand and limiting the impact of such programmes on key target audiences.

18. **Ms. Attwooll** (United States of America) noted that, in his report on proposed measures to improve the profitability of the commercial activities of the United Nations (A/57/398), the Secretary-General said that he intended to submit recommendations to the General Assembly in connection with consideration of the programme budget for 2004-2005. If those recommendations were different from those made by the Joint Inspection Unit in document A/57/707, her delegation wished to know when they would be submitted to the Fifth Committee.

19. There was a case for further analysis in the context of consideration of the programme budget for 2004-2005 concerning the United Nations Postal Administration, the situation of which had barely improved despite the request to the Secretary-General in General Assembly resolution 57/292. Her delegation asked what future operations were planned in the light of the shrinking philatelic market. Given the recent results of the Postal Administration, the projected revenue on which the draft programme budget was based was unlikely to be achieved.

20. Referring to the Secretary-General's proposal to create a unit within the Department of Public Information devoted to advancing the revenue-producing activities of the Organization, no specific proposal on that matter appeared in the proposed programme budget. Her delegation wished to know whether that initiative was still being pursued or whether it was being replaced by the reactivation of the Senior Advisory Board on Services.

21. Turning to the report of the Joint Inspection Unit on United Nations system revenue-producing activities (A/57/707), she noted that those activities were not

doing well and should be thoroughly rethought. Member States should not be expected to support activities that were supposed to be self-sustaining but which proved to be financially unstable. Her delegation also questioned to what extent the Organization's human and financial resources should be devoted to activities that were not directly relevant to implementing priority mandates. Although the solutions recommended by the Joint Inspection Unit to revitalize the revenue-producing activities were comprehensive and innovative, her delegation drew attention to the considerable financial implications that some of them might have for the Member States. Before taking a position on the recommendations, her delegation would need detailed information on the matter.

Agenda item 124: Scale of assessments for the apportionment of the expenses of the United Nations

Letters dated 27 June 2003 and 1 October 2003 from the President of the General Assembly addressed to the Chairman of the Fifth Committee (A/C.5/57/39 and A/C.5/58/4)

22. **Mr. Martini** (Italy), speaking on behalf of the European Union, the acceding countries Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia, the associated countries Bulgaria, Romania and Turkey, and the European Free Trade Association countries members of the European Economic Area Iceland, Liechtenstein and Norway, noted that the issue of exemptions under Article 19 of the Charter was frequently debated. Member States must be required to pay their assessed contributions on time, but understanding should also be shown towards those countries that, through no fault of their own, were unable to meet that obligation. The recommendations of the Committee on Contributions provided a useful basis for consideration of the requests submitted by nine Member States (A/58/11). With respect to the Niger, whose case had not been considered by the Committee, the European Union would give a favourable response, since it was the Niger's first such request. However, it would do so only with the understanding that the Niger would, as soon as possible, submit a plan for payment of its assessed contributions and its arrears.

23. The European Union was very concerned about the need to respect the procedural rules for exemptions, and especially about the need for Member States to comply with the deadline set forth in General Assembly resolution 54/237 C in order to ensure a fair and comprehensive review of requests by the Committee on Contributions. Moreover, multi-year payment plans for contributions were to be encouraged.

24. **Mr. Moutari** (Niger) stressed the exceptional nature of the request for exemption submitted by his country. He recalled the difficulties suffered by the Niger, particularly due to the coup d'état of 1999, whose consequences had not yet been entirely absorbed. Since then, the Government had been working to pay the arrears that had resulted from that exceptional situation and to meet its international commitments, but had encountered numerous obstacles due to its poverty, its landlocked status, and political and social instability. However, an agreement had been signed with the International Monetary Fund (IMF), aimed at rescheduling the Niger's external debt and reforming its public finances. Poverty indicators published over recent years had testified to the country's desperate situation.

25. He thanked all the regional groups that had demonstrated their support for his country, and expressed his regret that it had not been possible to hold prior consultations, due to the urgency of the situation. A payment plan would be submitted as soon as possible.

26. **Ms. Afifi** (Morocco), speaking on behalf of the Group of 77 and China, thanked the Bureau for agreeing to consider requests for exemption under Article 19 (A/C.5/57/39) during the first week of the Committee's session. If it was to be able to fulfil its mandate effectively, the Organization must be endowed with a sound and predictable financial base. Member States should therefore pay their contributions in full, on time, and without conditions. However, it was also necessary to show understanding towards States facing real socio-economic and political problems, and unable to meet their obligations.

27. With respect to the requests and arguments of Burundi, the Central African Republic, the Comoros, Georgia, Guinea-Bissau, the Republic of Moldova, Sao Tome and Principe, Somalia and Tajikistan (A/C.5/57/39), the Committee on Contributions had rightly concluded that they were faced with circumstances beyond their control and should be allowed to continue voting until 30 June 2004.

28. It was encouraging to note that despite its persistent difficulties, the Democratic Republic of t' e Congo had recently made the minimum payment necessary to avoid the application of Article 19. With regard to the exemption request by the Niger (A/C.5/58/4), it should be noted that the Niger, one of the poorest of the least developed countries, was working hard to win back the right to participate in the work of the Organization and hoped to present soon a plan for payment of its assessed contributions and arrears. The country's difficulties were well known, and it was therefore necessary to grant its request and to authorize it, on an exceptional basis, to vote until the next session of the Committee on Contributions in June 2004. However, such a decision should not constitute a precedent within the context of the application of General Assembly resolution 54/237 C.

29. **Ms. Buchanan** (New Zealand), speaking also on behalf of Australia and Canada, recalled that the point of departure for all applications for exemption under Article 19 was the premise of circumstances beyond the control of the country concerned. At the same time, those countries were also required to make their best efforts to pay at least some of their assessments and avoid falling deeper into arrears. The use of multi-year payment plans as a means to reduce arrears was a practical and positive step, which the Republic of Moldova, Sao Tome and Principe, and Tajikistan had used to their advantage. However, one country had submitted several payment plans, but implemented none of them, and its most recent plan made no provision for any payment during the current year. Other countries had made just one or two payments over 10 years.

30. While they understood the Niger's difficulties, Australia, Canada and New Zealand wondered why the well-established procedures should not be used in its case. In future, the General Assembly should consider requests for exemption under Article 19 only in the light of the recommendations of the Committee on Contributions, unless a demonstrably compelling reason existed.

31. **Mr. Adhikari** (Nepal) endorsed the statement made on behalf of the Group of 77 and China. His delegation considered, however, that a pragmatic balance should be struck between improving the financial situation of the Organization and the scale of assessments for the apportionment of the expenses such that each country should contribute on the basis of its capacity to pay. The Committee on Contributions should consider devising tangible and objective parameters that would facilitate the search for realistic solutions when countries were facing particular hardships. His delegation hoped that a favourable response would be given to the requests for exemption by the 10 countries mentioned in document A/C.5/57/39 and the Niger, as they were motivated by circumstances genuinely beyond the control of those countries.

32. **Mr. Chaudhry** (Pakistan), associating his delegation with the statement made on behalf of the Group of 77 and China, said that he was convinced by the explanations given by the delegation of the Niger as that country was not in the habit of shirking its obligations. He recalled that the General Assembly had a long tradition of understanding with respect to countries which, whether temporarily or not, were unable to pay. It was not, however, a matter of failing to apply the provisions of Article 19 for which the General Assembly should ensure respect by all possible means. In that connection, the introduction of the multi-year payment plan, which certain countries had begun to use, was a step in the right direction. The number of Member States requesting an exemption, out of a total of 191, was within normal limits. The Committee on Contributions was being realistic in recommending acceptance of the nine requests for exemption that it had considered and it was to be hoped that the reasons given would convince the General Assembly. His country, for its part, unreservedly supported the requests submitted by the Niger and the other Member States while, at the same time, calling on them to provide tangible evidence of their desire to honour their commitments.

33. **Mr. Kelapile** (Botswana), taking the floor on behalf of the African Group, said that the African Group fully associated itself with the statement made by the representative of Morocco on behalf of the Group of 77 and China. While recalling that Member States should pay their financial contributions in full, on time and without conditions, he said that sympathetic consideration should be given to the situation of countries facing special difficulties. For that reason the African Group endorsed the recommendations of the Committee on Contributions to the effect that an exemption under Article 19 should be granted to those countries that had made a timely request to that effect.

34. Regarding the request by the Niger, the Permanent Representative of that country had provided additional information on the circumstances that prevented it from meeting its national and international financial obligations, to which, however, it remained fully committed. The African Group therefore considered that the Niger should, on an exceptional basis, be authorized to take part in voting in the General Assembly until 30 June 2004. It also encouraged all Member States to comply with the provisions of resolution 54/237 C in order to facilitate consideration by the Committee on Contributions of requests for exemptions.

35. **Ms. Lock** (South Africa) associated her delegation with the statements made by the representative of Morocco on behalf of the Group of 77 and China and by the representative of Botswana on behalf of the African Group. It was clear from the explanations provided by the Permanent Representative of the Niger that the serious economic and social difficulties being faced by that country were due to circumstances beyond its control. Her delegation therefore fully supported the request for an exemption made by the Niger, particularly as that country had undertaken to submit a schedule for the payment of its arrears.

36. **Mr. Stoffer** (United States of America) said that his country fully approved the report submitted by the Committee on Contributions (A/58/11) and noted with satisfaction that several countries that had requested an exemption had submitted a multi-year payment plan for the settlement of their arrears. He also endorsed the statements made by earlier speakers, in particular the representative of New Zealand who had emphasized that certain countries had not paid their multi-year contributions in good time. He hoped that those countries would receive assistance to enable them to honour their commitments. His delegation was minded to approve the request of the Niger, particularly as that country had agreed to submit a multi-year payment plan. However, it emphasized once again that those countries that had submitted requests for exemptions directly to the Fifth Committee and to the General Assembly without going through the Committee on Contributions should first approach the Committee on Contributions the following year, if need be.

37. **Ms. Goicochea** (Cuba) endorsed the statement made by the representative of Morocco on behalf of the Group of 77 and China and expressed her satisfaction at the consensus that existed within the Fifth Committee on the recommendations of the Committee on Contributions concerning requests for exemptions under Article 19, as well as on the request made by the Niger. Her delegation recalled that all Member States were obliged to pay their assessments in full, on time and without conditions but that account should also be taken of the situation of countries which, for reasons beyond their control, found it impossible to meet their financial obligations.

38. **Mr. Pulido León** (Venezuela) and **Mr. Kendall** (Argentina) fully associated themselves with the statement made by the representative of Morocco on behalf of the Group of 77 and China. They supported the request made by the Permanent Representative of the Niger as well as the recommendations made by the Committee on Contributions concerning nine other countries.

39. **Mr. Farid** (Saudi Arabia) endorsed the statements made by the representative of Morocco on behalf of the Group of 77 and China and by the representative of Pakistan. He approved the recommendations contained in the report of the Committee on Contributions as well as the request for an exemption made by the Niger.

40. **Ms. Udo** (Nigeria) endorsed the statements made by the representative of Morocco on behalf of the Group of 77 and China and by the representative of Botswana on behalf of the African Group, together with the statement by the representative of Pakistan. She fully endorsed the consensus concerning the requests for exemptions under Article 19 submitted by several countries, including the Niger.

41. **Mr. Eljy** (Syrian Arab Republic) endorsed the statement made by the Moroccan delegation and fully supported the request submitted by the Niger, a country which had always endeavoured to meet its financial obligations and should shortly be in a position to do so again.

42. **Mr. Camara** (Guinea) endorsed the statements made by the Moroccan and Botswanan delegations. He considered that a flexible approach should be adopted in the situations being considered by the Committee on Contributions. For that reason he fully approved the requests for exemption, including that submitted by the Niger.

43. **Mr. Rahman** (Bangladesh) endorsed the statement made by the Moroccan delegation on behalf of the Group of 77 and China. He insisted on the obligation of all United Nations Member States to meet their financial obligations in full and on time but considered that account should be taken of the special situation of certain countries. Consequently, he supported the recommendations of the Committee on Contributions and the request submitted by the Niger which warranted a display of solidarity.

44. **Mr. Almutaa** (Libyan Arab Jamahiriya) endorsed the statements made by the representative of Morocco on behalf of the Group of 77 and China and by the representative of Botswana on behalf of the African Group. While emphasizing the financial obligations of Member States, he supported the requests for exemptions under Article 19 submitted by a number of countries, in particular the Niger.

The meeting rose at 11.55 a.m.